

Message Text

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RSC-01 OMB-01 TAR-02 AGR-20 AID-20 CIAE-00 COME-00

INR-10 LAB-06 NSAE-00 OIC-04 SIL-01 STR-08 TRSE-00

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TAGS: UNCTAD, EFIN, OECD, DAC

SUBJECT: MEETING OF GOVERNMENTAL EXPERTS ON AID TARGETS

BEGIN SUMMARY: MEETING OF GOVERNMENTAL EXPERTS ON CONCEPTS OF PRESENT AID AND FLOW TARGETS JUNE 26-29 TENDED TO BE TYPICAL UNCTAD-TYPE CONFRONTATION. PRINCIPAL TECHNICAL ISSUE DEBATED WAS WHETHER TO DEDUCT INTEREST PAYMENTS FROM ODA AND TOTAL FLOWS. POLITICAL ISSUE WAS INJECTED BY AFRICANS WHO INSISTED THAT FLOWS INTO OVERSEAS TERRITORIES FROM PORTUGAL SHOULD NOT BE RECOGNIZED. AT CONCLUSION OF SESSION EXPERTS FROM GROUP OF 77 COUNTRIES PLUS SWEDEN PRESENTED WRITTEN STATEMENT OUTLINING THEIR VIEWS. STATEMENT WILL BE TAKEN INTO CONSIDERATION BY SECGEN WHEN HE MAKES ORAL REPORT TO CIFT. END SUMMARY

1. ACTIVE PARTICIPANTS IN EXPERTS MEETING WERE ALGERIAN, FRG, BRAZIL, US, JAPAN, MEXICO, NIGERIA, NETHERLANDS, UK, SENEGAL AND SWEDEN. COLUMBIA, INDIA, USSR AND PHILIPPINES ATTENDED BUT SPOKE LITTLE. MEXICO
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AND NIGERIA LED REPRESENTATIVES FROM GROUP OF 77.

OECD SECRETARIAT REPRESENTED BY WELLS, UNCTAD BY DELL
AND IBRD BY HAYS. SWEDISH DELEGATE FELL INTO LOCK
STEP WITH GROUP OF 77 ON ALL ISSUES, WITH NETHERLANDS
DELEGATE NOT FAR BEHIND. MOST DELEGATES FROM GROUP 77
COUNTRIES WERE FROM PERMANENT GENEVA DELEGATIONS AND
HAD LITTLE FAMILIARITY WITH AID CONCEPTS. CHAIRMAN
ELECTED FROM GROUP WAS PAUL BLANC, FRANCE, WHO COMMENTED
EXTENSIVELY DURING DEBATE.

2. MEETING WAS OPENED BY UNCTAD SECGEN PEREZ-GUERRERO
WHO REVIEWED ISSUES RAISED IN BASIC DOCUMENT TD/B/C.3/108,
TD/B/C.3/AC.7/2 AND LEFT DELEGATES WITH A NUMBER OF
QUESTIONS WHICH HE BELIEVED NEEDED ANSWERING. DISCUSSION
REVOLVED MAINLY AROUND FOLLOWING TOPICS:

(A) USEFULNESS OF ONE-PERCENT TARGET. EXPERTS
FROM DEVELOPING COUNTRIES/DEPRECATE ONE PERCENT TARGET
SINCE IT INCLUDES FLOWS WHICH ARE MOTIVATED BY PROFIT.
IF TARGET MAINTAINED, PRIVATE FLOWS SHOULD BE ELIMINATED,
OR AS A MINIMUM ALL REFFLOWS OF INTEREST AND DIVIDENDS
SHOULD BE DEDUCTED FROM TOTAL. PRESENT FIGURES GIVE
FALSE IMPRESSION OF AMOUNT OF AID PROVIDED. ONE PERCENT
TARGET DEFENDED VIGOROUSLY BY UK EXPERT AND WITH LESS
ENTHUSIASM BY US, FRG AND FRANCE.

(B) TARGET FOR ODA. ALL SPEAKERS FROM DEVELOPING
COUNTRIES EMPHASIZED NEED TO INCREASE ODA, AND IMPROVE
ITS TERMS, SINCE THIS IS ONLY PART OF TOTAL FLOW WHICH
REPRESENTS ACT OF POLITICAL WILL ON PART OF DONORS.
HOWEVER, PRESENT METHOD OF COMPUTATION UNSATISFACTORY
SINCE TOTAL IS NOT REDUCED BY AMOUNT OF INTEREST PAID BY
BORROWERS ON PREVIOUS LOANS. BOTH SWEDEN AND NETHER-
LANDS AGREED THAT INTEREST PAYMENTS SHOULD BE DEDUCTED
IN ORDER TO OBTAIN FIGURE REPRESENTING TRANSFER OF REAL
RESOURCES. US, UK, FRG AND FRANCE ARGUED THAT PRESENT
DEFINITION DEFENSIBLE SINCE IT INVOLVED ONLY CAPITAL
FLOWS AND THAT DEDUCTING NON-CAPITAL ITEMS WOULD
COMPLICATE PROBLEM OF ACHIEVING UNDERSTANDING AND ACCEPTANCE
OF TARGET. DELL OF UNCTAD SECRETARIAT, WHILE NOT COMMENTING
ON THIS POINT DIRECTLY, LEFT NO DOUBT THAT HIS SYMPATHIES
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WERE WITH THOSE WHO WISHED TO DEDUCT INTEREST REFFLOWS.

(C) FUTURE DISCUSSIONS ON TARGETS. EXPERTS FROM
DEVELOPING COUNTRIES MADE A NUMBER OF COMMENTS WHICH
REVEALED THEIR SKEPTICISM ABOUT DAC FIGURES AND THEIR
SUSPICION THAT DAC RULES ON REPORTING ARE DRAWN UP TO
MAKE DONOR PERFORMANCE LOOK BETTER THAN IT ACTUALLY IS.
THEY WANT FUTURE DISCUSSION OF CONCEPTS AND STATISTICAL

METHODS TO BE HELD IN A FORUM WHICH INCLUDES BOTH DEVELOPED AND DEVELOPING COUNTRIES. WHILE EXPERT GROUP NOT EMPOWERED TO PERPETUATE ITSELF, LIKELY THAT SECGEN IN ORAL REPORT TO CIIFT WILL INTERPRET SENSE OF MEETING AS BEING THAT SUBJECT SHOULD BE PURSUED BY UNCTAD AND ASK FOR AUTHORITY CONVENE FURTHER MEETINGS OF GROUP. EXPERTS FROM DAC COUNTRIES RECOGNIZED THAT TARGETS WILL BE SUBJECT FOR CONSIDERATION UNDER DD II REVIEW AND APPRAISAL IN ANY EVENT, AND CONSENSUS WAS THAT FURTHER DIALOGUE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES UNDER SOME WING OF UN SYSTEM UNOBJECTIONABLE.

(D) GEOGRAPHICAL COVERAGE OF FLOWS. DELL FROM UNCTAD SEC AND WELLS FROM DAC SEC REPORTED THAT PRELIMINARY TALKS HAD BEEN HELD ON RECONCILING UNCTAD AND DAC HANDLING OF STATISTICS AND THAT AGREEMENT REACHED ON WHAT SHOULD BE DONE. CONSENSUS QUICKLY EMERGED THAT SECRETARIATS SHOULD CONTINUE CONTACTS AND MAKE SPECIFIC RECOMMENDATIONS TO

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FUTURE MEETINGS ON BOTH SIDES. NIGERIAN EXPERT MADE LONG EMOTIONAL INTERVENTION CONTENDING THAT PORTUGAL

FLows to its overseas territories should be disallowed. This justified both on grounds that during insurgency situation reliable statistics not available and on grounds that these internal not external flows. Swedish expert supported this view as did most developing country experts except Brazil, who recommended that problem be studied by secretariats.

E) Definition of ODA. Netherlands expert proposed that grant element threshold for ODA be raised to 50 percent and was quickly seconded by Sweden. US commented that 25 percent probably too low. UK and Japan thought it high enough. Since few experts from developing countries understood implications of threshold, few commented. Indian expert expressed view that 10 percent discount rate used in computing grant element too high and proposed it be reduced to 7 or 8 percent.

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F) Statement submitted by developing countries. Toward end of session, Mexican expert introduced on behalf group of 77 and Sweden a three-page statement containing their views. Statement largely unobjectionable since it was mostly generalities, but it did contain statements urging deduction interest payments and deprecating private flows. Although Mexican expert hoped paper would stimulate further debate, experts from DAC countries (except Sweden) insisted that it simply be noted as expressing views certain delegates and not considered paper for discussion. Copy being pouched.

10. Comment: Most experts representing developing countries were drawn from permanent Geneva delegations and level of familiarity with technical aspects of problem was low. Comments indicated that many participants unfamiliar with present terms and usages. Therefore those experts tended to fall back on familiar political themes, and polarization of group between representatives of 77 and others came quickly, with content of interventions from developing countries predictable.

One clear theme which emerged from meeting was determination of developing countries as a group to force revision of statistics to exclude interest payments from both ODA and total flows. Deduction of dividend payments from one percent total seemed to have somewhat less support, but will probably be used as a bargaining point.

Having already succeeded in getting the denominator of the fraction which measures donor performance

ENLARGED BY SWITCHING FROM GROSS NATIONAL INCOME TO GROSS NATIONAL PRODUCT (AND THUS RAISING THE TARGET BY 25 PERCENT), THE STRATEGY NOW IS TO REWRITE THE RULES SO THAT THE NUMERATOR BECOMES SMALLER. THE AIM APPARENTLY IS TO GET BOTH THE ODA AND ONE PERCENT TARGETS TIGHTENED UP AT THE MID-TERM REVIEW OF THE DD II STRATEGY--DESPITE THE FACT THAT MAJOR DONORS HAVE NOT YET ACCEPTED THE ODA TARGET AS IT IS PRESENTLY, AND MORE LOOSELY, DEFINED.BASSIN

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